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Evaluation of relationship between UNOPS and UNDP

Evaluation of the relationship between the United Nations Office for Project Services and the United Nations Development Programme

Note by the Administrator

1. The Administrator wishes to bring to the attention of the Executive Board that the evaluation on the relationship between the United Nations Development Programme and the United Nations Office for Project Services will be made available to the members of the Board in English, French and Spanish.

2. Pending the availability of the evaluation in the three working languages and in order to facilitate discussion at the current session, the executive summary is contained in the annex to the present document.[1]

[1] The full text of the evaluation has been posted on the Executive Board web site and is available in hard copy on request from the Executive Board Secretariat (tel. (212) 906-5749).

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Annex

Executive summary of the evaluation of the relationship between UNDP and UNOPS

1. The evaluation addresses the relationship between the United Nations Development Programme (UNDP) and the United Nations Office for Project Services (UNOPS) some five years after the two institutions separated and presents recommendations that, it is hoped, will improve their working relationship. The evaluation, commissioned by the UNDP Evaluation Office, was carried out in close consultation with UNOPS at all stages. The evaluation team consisted of four independent experts.

2. The findings of the evaluation are based on extensive consultations with UNDP and UNOPS in New York in May, October and November 1999. The evaluation team visited 11 country offices in all regions. In each country, it interviewed staff of UNDP and UNOPS, government officials, and representatives of donors and international financial institutions. The team also visited the UNOPS Regional Asia Office in Kuala Lumpur, the UNOPS Nairobi Implementation Facility and the UNOPS Division for Rehabilitation and Social Sustainability outpost in Guatemala. Consultations were held in Geneva and Copenhagen with UNDP and UNOPS units based there and with United Nations specialized agencies, funds and programmes in Geneva. Some members of the Executive Board, representing both donor Governments and host Governments, were also consulted. The findings and recommendations of the evaluation were presented to the Administrator, the Executive Director of UNOPS and the members of the Management Coordination Committee (MCC) in February 2000.

3. To understand the relations between UNDP and UNOPS, the evaluation team adopted a broad approach that included examining not only issues that concern the relationship directly but also the institutional context of the two institutions. Many of the factors affecting the relationship are perceptual, e.g., the largely prevalent mistrust and misunderstandings; some are factual, e.g., the lack of clear delineations between the two institutions.

4. The main findings of the evaluation are:

- Cooperation between UNDP and UNOPS functions well both at headquarters and in the field when there is a clear understanding of the respective roles and of the possible synergies as well as effective personal relationships. In other cases, there is a lack of satisfaction on both sides with the performance of the other party.
- UNOPS is still heavily dependent on UNDP as a funding source for most of its business and for the support provided by the UNDP country offices. Business acquired from the International Fund for Agricultural Development is also significant but that acquired from other United Nations bodies remains marginal.
- The relations between the two institutions are to a large extent characterized by mistrust and misunderstanding on both sides. This is in great part due to the fact that the respective roles and responsibilities of UNDP and UNOPS were never clearly defined at the corporate level, either at the time of the separation

or later. The oversight and coordination mechanisms created — the Management Coordination Committee and the Users Advisory Group — have not functioned adequately.

- There are overlaps between the two institutions. Both can execute projects, UNOPS as an executing agent for UNDP, and UNDP itself through the direct execution mode or, de facto, as a supporting institution to national execution. In certain areas, particularly crisis and post-conflict situations, both institutions have competing competencies.

- Both institutions have difficulty in recognizing each other's role: UNDP with regard to UNOPS as the major executing/implementing agent of the United Nations system and UNOPS with regard to UNDP as its major funding source.

- Both institutions have significant weaknesses in their financial reporting systems, including a lack of timeliness and, in particular, an apparent lack of compatibility between the respective systems. This situation has created tension between UNDP and UNOPS. In the case of both institutions, the weaknesses of financial reporting systems have also raised significant concern among clients and donors. In the case of funds entrusted to UNDP through trust funds or management services agreements, these deficiencies in financial reporting may endanger fund-raising.

- The budgetary cuts over the last 10 years have significantly weakened the UNDP country-office structure. The number of international staff available for UNDP functions has, on average, been cut in half — from more than four in 1990 to two or less in 1998. On average, the number of national staff per country office has been cut by some 35 per cent. These cuts, in a way, have encouraged the country offices to choose execution modalities that give them access to additional extrabudgetary resources on the one hand but reduce UNOPS participation in programme implementation on the other hand.

- The budgetary cuts have also adversely affected the performance of many UNDP country offices; this in turn has impinged on their relations with UNOPS. At the same time, some country offices continue to perform efficiently.

- UNOPS plays a limited but increasing role in supporting national execution.

- The performance of UNOPS in delivering its services is uneven. There are weaknesses in UNOPS programme/project management, in particular, in backstopping functions, caused perhaps by the very rapid growth in project and services delivery (45 per cent between 1995 and 1998) and staffing. These weaknesses in UNOPS performance have created tension between the two institutions.

- The reimbursement by UNOPS of costs for support provided by the UNDP country offices is dealt with by UNOPS in an ad hoc, non-transparent manner. In addition, the charges made by UNDP for central services provided to UNOPS are not transparent.

- There is also a lack of transparency in the way in which UNOPS establishes the fees charged to its clients. Many UNOPS clients, including Governments and donors, do not see or understand the relationship between the services provided and the fees charged.

5. The evaluation examined the following four alternative scenarios that could govern the future relationship between UNDP and UNOPS:

- UNOPS becomes a totally independent agency;
- UNOPS is reintegrated into UNDP;
- UNOPS is integrated into the United Nations Secretariat;
- UNOPS remains a "separate and identifiable entity", as at present, but its relationship with UNDP is clearly defined.

6. The evaluation team recommends the last option.

7. The evaluation team identified a number of areas in which specific actions are urgently required. It strongly believes that these actions will help to create conditions that are prerequisites for making the partnership between the two institutions work.

8. At the same time, the evaluation team would like to emphasize that unless the senior management in both institutions is committed to remedying the feelings of mistrust and misunderstanding, very little can or will be achieved. To move forward, it will be necessary for the senior management of both institutions to show a sincere commitment to making the partnership work and to imbue their staff with this spirit. There are, indeed, significant synergies to be gained if UNDP and UNOPS work together in a spirit of mutual support and trust.

9. The evaluation team identified the following six main areas where action is urgently needed:

1. Defining the respective roles and responsibilities;
2. Institutional arrangements;
3. Fund-raising and business acquisition;
4. Execution modalities;
5. Financing principles for country offices;
6. Administrative and management issues.

10. The recommendations of the evaluation team in each of these six areas are presented below.

1. Defining the respective roles and responsibilities

Recommendation 1. Status of UNOPS

11. The present status of UNOPS as a "separate and identifiable entity" that is "self-financing" and linked to UNDP should be maintained. UNOPS should have full responsibility for its internal management (see section 4 of the evaluation).

Recommendation 2. Delineation of responsibilities

12. The following are the recommendations:

(a) The MCC should, as a matter of priority, define and delineate the roles and responsibilities of UNDP and UNOPS in order to minimize friction and conflict.

Possibly, the MCC should also submit this issue to the Executive Board (see paragraph 175 of the evaluation);

(b) Existing overlaps between the two institutions, which are a source of conflict, should be corrected. An example of such overlaps is in the area of crisis and post-conflict situations, where the Emergency Response Division of UNDP and the Division for Rehabilitation and Social Sustainability of UNOPS appear to be performing similar tasks (see paragraph 161 of the evaluation);

(c) UNDP and UNOPS should urgently conclude the subsidiary agreements envisaged in the 1997 Memorandum of Understanding. These should be further elaborated in detailed procedural manuals clearly indicating the responsibility and authority of the two parties at all levels, including detailed decision-making, reporting and information flows (see paragraphs 156 and 163 of the evaluation);

(d) The Executive Director of UNOPS should issue, in consultation with UNDP, clear instructions on the precise role of the UNDP Resident Representative in his/her capacity as UNOPS Representative (see paragraph 224 of the evaluation).

2. Institutional arrangements

Recommendation 3. Management Coordination Committee

13. There is a need for an institutional structure to foster cooperation and partnership between UNDP and UNOPS. It is, therefore, recommended that the MCC be maintained with some changes to its current structure within the parameters of the decisions made at the time of its establishment, notably that: (a) the Executive Board provide overall policy guidance for and supervision of UNOPS; (b) the Secretary-General provide oversight and guidance, as required, to ensure the implementation of the decisions of the Executive Board; and (c) the Executive Director, under the authority of the Secretary-General, be responsible for the management of UNOPS. It should be noted that the Secretary-General has delegated his oversight and guidance functions to the MCC.

14. The evaluation team has considered three options concerning the MCC:

Option 1. The MCC continues with the Administrator as Chairman and the Executive Director of UNOPS becomes a full member of the Committee. UNOPS is given its own segment on the agenda of the Executive Board. However, UNOPS submissions to the Executive Board will be reviewed by the MCC and its comments will be included as an addendum to the submission. Under this option, the MCC will continue to exercise the oversight role, delegated by the Secretary-General, to ensure that the decisions of the Executive Board are implemented. In addition, a major function of the MCC should be to foster cooperation and partnership between UNDP and UNOPS;

Option 2. No changes are made to the current structure of MCC, that is, the Administrator continues as the Chairman and the Executive Director as the Secretary of the Committee. However, UNOPS is given its own segment on the agenda of the Executive Board. UNOPS submissions to the Executive Board will be reviewed by the MCC and the Committee's comments will be included as an

addendum to the submission. In all other respects, this option is identical to option 1;

Option 3. The current MCC membership is expanded by the addition of a chairman external to both organizations (who could, for example, be the Deputy Secretary-General) and the Executive Director of UNOPS is made a full member. In all other aspects, this option is identical to option 1.

15. The evaluation team concluded that option 1 is most likely to foster a spirit of trust, cooperation and partnership between the two organizations and therefore recommends that it be adopted.

16. In all three options, it is also recommended that the MCC meet four times a year, before each session of the Executive Board. It should be supported by a working party (i.e., a subcommittee) that should meet once a month to share information on a regular basis, foster cooperation (e.g., by identifying joint opportunities and resolving actual and potential conflicts), to prepare issues to be submitted to the MCC and to follow up on the implementation of the decisions of the MCC and the Executive Board (see paragraph 174 of the evaluation).

Recommendation 4. Users Advisory Group

17. It is recommended that the Users Advisory Group be maintained. It should be convened by and meet under the chairmanship of the Executive Director of UNOPS to serve as a regular forum for consultation between UNOPS and its clients. It should meet at least once a year (see paragraph 178 of the evaluation).

3. Fund-raising and business acquisition

Recommendation 5. Resource mobilization

18. As a self-financing institution, UNOPS should be allowed to raise funds and mobilize resources for activities relating to the UNDP development agenda but only, as a strict rule, after consultation and in cooperation with UNDP. Resources mobilized through such efforts should be channelled through UNDP and recorded as UNDP resources under a separate UNOPS account (see section 5.3 of the evaluation).

4. Execution modalities

Recommendation 6. Execution modalities

19. The following are the recommendations:

(a) Country offices should adhere strictly to the recent UNDP guidelines for the national execution of UNDP programmes and those of UNDP-administered funds. Whenever necessary, a cooperating agency should be brought in to support national authorities. The creation of project support units, linked to the field office, to perform functions that the national authorities should normally carry out, should be strongly discouraged. However, in the case of countries that finance 100 per cent of the UNDP-administered programmes under the existing cost-sharing

arrangements, UNDP should be allowed to continue to use present implementation modalities (see section 5.4 of the evaluation);

(b) UNDP should in all circumstances endeavour to identify on a competitive basis the most cost-efficient and effective executing agent (government authority, UNOPS, United Nations specialized agency, fund or programme, non-governmental organization, etc). Direct execution should be used only when no other executing agency is capable of executing the project and willing to do so. This principle, which at present is one of the four conditions for direct execution, should be strictly enforced (see section 5.4 of the evaluation);

(c) The respective responsibilities of UNDP and of the executing/ implementing entity should be clearly defined for each project in a project management matrix (see paragraphs 164 and 165 and annex 4 of the evaluation).

5. Financing principles for country offices

Recommendation 7. Financing principles for country offices

20. The following are the recommendations:

(a) UNDP should take steps to ensure that its country offices have adequate capacity to perform programming and coordination functions. A minimum staffing level should be established for each country office, depending on the size of the country programme, to perform UNDP core functions. Only this core staff should be financed by the regular budget (see section 5.5 of the evaluation);

(b) Project-monitoring functions should be financed from project budgets, as is presently the case with evaluation (see section 5.5 of the evaluation);

(c) All administrative support activities to projects, executing agencies and United Nations specialized agencies, funds and programmes should be provided only on a reimbursable basis at the full cost of these services. These costs should be agreed to in negotiations between the country office and the relevant executing/implementing agent, based on general principles and simplified formulas. This will, however, require an upgrading of present accounting systems. The compensation should normally be paid in advance directly to the country office account (see section 5.5 of the evaluation);

(d) The country office should have full control of the use of its extrabudgetary resources that, under the proposed arrangements, will be paid to it directly and be held accountable for their use (see section 5.5 of the evaluation).

6. Administrative and management issues

Recommendation 8. Financial reporting

21. It is recommended that both UNDP and UNOPS urgently review their financial reporting systems in order to ensure full compatibility between the systems and to meet the requirements of Governments, donors and other clients for accurate, timely and comprehensive information (see paragraphs 214, 215 and 216 of the evaluation).

Recommendation 9. Administrative issues

22. The following are the recommendations:

(a) Both UNDP and UNOPS should review their programme/services delivery structures to achieve a better balance between headquarters and field activities (see paragraphs 219 and 222 of the evaluation);

(b) UNOPS should strengthen its project management capacities, including its capacities to backstop its project personnel adequately (see paragraph 223 of the report);

(c) UNOPS should review its fee-setting mechanisms with a view to increasing transparency and better understanding by UNOPS clients (see paragraph 226 of the evaluation).

23. Additional recommendations and suggestions, largely administrative in nature, are presented in section 5 of the evaluation.